

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1652 – HB 2341

March 21, 2018

SUMMARY OF BILL: Exempts Obion County from restrictions on levying the hotel occupancy tax.

ESTIMATED FISCAL IMPACT:

Increase Local Revenue - \$159,700/Permissive

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-4-1425(a), after May 12, 1988, any private act that authorizes a county to levy a tax on the privilege of occupancy of a hotel shall be limited to hotels located within its boundaries but outside the boundaries of any municipality that has levied a tax on such occupancy prior to the adoption of such tax by the county.
- This legislation exempts Obion County from the aforementioned restriction; therefore, Obion County will have the authority to levy a hotel occupancy tax on hotels located within the incorporated boundaries of any city within Obion County which, prior to Obion County adopting a tax, had adopted a hotel occupancy tax on such hotels.
- Pursuant to Tenn. Code Ann. § 67-4-1402(a)(1), each municipality in the state is authorized to levy by ordinance a privilege tax upon the privilege of occupancy in any hotel of each transient in an amount not to exceed 5 percent of the consideration charged by the operator.
- Within Obion County, the two municipalities of South Fulton and Union City each currently levy a hotel occupancy tax of 5 percent.
- According to the Comptroller's 2016 audit of Union City, Union City collected approximately \$145,946.
- The City of South Fulton was contacted multiple times, but was unable to provide annual collections of the occupancy tax.
- According to the Department of Health, there is one hotel in the City of South Fulton, with a total of 18 rooms.
- According to the Nashville Convention and Visitors Bureau, the 2016 hotel occupancy rate in Davidson County was 75.0 percent. According to the PricewaterhouseCoopers LLP, the national hotel occupancy rate for 2016 was 65.4 percent, and is estimated to have been 65.6 percent in 2017. The national hotel occupancy rate is estimated to be 65.5 percent in 2018.
- Estimate assumes the occupancy rate in the City of South Fulton is 60.0 percent.

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- There are approximately 3,942 nightly rentals each year in South Fulton (18 rooms x 365 days x 60.0% occupancy rate).
- The average hotel room rate is estimated to be \$70 per night.
- The City of South Fulton imposes a 5.0 percent hotel occupancy tax upon passage of this legislation.
- The current estimated revenue stream experienced by the City of South Fulton from the imposition of the occupancy tax is \$13,797 (3,942 nightly rentals x \$70 per night x 5.0% occupancy tax rate).
- Total annual occupancy tax revenue in both municipalities of approximately \$159,743 (\$145,946 + \$13,797).
- Obion County currently levies a 5 percent occupancy tax on all hotels located within the county except those residing within the corporate boundaries of either Union City or South Fulton.
- Due to this legislation, Obion County will levy a 5 percent hotel occupancy tax on hotels residing within Union City and South Fulton.
- Obion County will experience a permissive recurring increase in local revenue of \$159,743.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb